

## Board of County Commissioners Agenda Request

Date of Meeting: June 28, 2005

Date Submitted: June 22, 2005

To: Honorable Chairman and Members of the Board

From: Parwez Alam, County Administrator  
Vincent Long, Assistant County Administrator

Subject: Consideration of Economic Development Council (EDC) Proposed Incentive Package for Corporate Relocation to Leon County

### **Statement of Issue:**

This agenda item requests Board consideration of an Economic Development Council (EDC) proposal for new County direct incentive funding for a corporate relocation to Leon County.

### **Background:**

On June 2, 2005, Chairman Thael received a letter from Brad Day, EDC Executive Director, requesting Board consideration of the County providing a "direct" or cash incentive package for a corporate relocation (Attachment #1). This Canada-based business has recently expressed an interest to the EDC in relocating to Leon County through their site selection consultant. During their regular meeting on June 14, 2005, the Board approved a motion to agenda this issue for further Board consideration (Attachment #1).

### **Analysis:**

As detailed in the letter from the EDC, this prospective company has placed Tallahassee on a short list of prospective communities for the relocation of their corporate offices, research facilities, and manufacturing plant. During the week of June 20, 2005, the company and their site selection consultants made visits to prospective relocation communities including Leon County, Richmond, Virginia, and Austin, Texas. Although significant detail regarding the company remains confidential at this time, the following is an overview of what is known at present:

- Company specializes in magnetic-based air conditioner compressors (new technology) and is interested in locating near Innovation Park's High Magnetic Lab,
- Relocation would generate approximately 150 new jobs after the first three years,
- \$16.3 million annual company payroll,
- Expected to generate an estimated \$1.4 million in local taxes, annually (inclusive of property and sales taxes),
- Company is internationally recognized as "green" or environmentally friendly,
- FSU Economic Forecasting Center estimates that the company's relocation would result in the creation of an additional 219 jobs being (beyond the 150 jobs noted above).

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The company is seeking incentive packages from each of the prospect relocation communities at this time. To remain competitive, the EDC has recommended the creation of an incentive package for the community that totals \$5 million, including the following key components:

- \$270,000 in Qualified Target Industry Incentive (QTI) Program (*existing incentive*)
- \$200,000 in Quick Response Training (QRT) Program (*existing incentive*)
- \$650,000 from Enterprise Florida in direct incentives (*existing incentive*)
- \$270,000 if relocated in the Leon County Enterprise Zone (*existing incentive*)
- \$300,000 County/City Targeted Business Pilot (TBPP) Program (*existing incentive*)
- \$100,000 additional from TCC for QRT initiatives (*existing incentive*)
- \$1,605,000 from the County (*new incentive*)
- \$1,605,000 from the City (*new incentive*)
- \$1,000,000 from Innovation Park (*new incentive-optional*)

The \$1.6 million in new County direct incentives requested by the EDC is envisioned to be paid to the company over time and as part of a performance-based contract. Essentially, the EDC recommends that any such direct incentives be offered as part of a structured contract including payments during the first (\$675,000), third (\$475,000), and fifth (\$475,000) years after the company's relocation. Each payment would only be made by the County (and City) if the company's job creation and payroll targets were being met. As stated in his letter, Mr. Day has requested that the City match any direct incentive offer made by the County. Subsequently, the EDC has also requested new direct incentives from the Leon County Research and Development Authority (Innovation Park) totaling \$1,000,000. If approved, any such Innovation Park incentive offer (which could also take the form of donating developable land at the Park) would reduce part of the \$3.2 million request being made of the County and City, in a like fashion. At the time of this writing, neither the City nor Innovation Park has taken any formal action to approve the EDC's new incentive package request.

It is important to note that the existing State, County and City economic development incentive programs alone (included in the EDC's total \$5 million request) total \$1.79 million. A number of these significant economic development programs have been supported and/or created by the County in recent years. The following is a brief overview of some of those existing programs:

**Leon County Enterprise Zone:**

The Leon County-Tallahassee Enterprise Zone (EZ) is a 20-square mile area across Leon County that is targeted for economic revitalization. Advocated by the County and approved by the State in 2002, this program offers significant tax incentives to home and business owners who renovate their homes, create jobs and expand businesses within the EZ, including (Attachment #2):

- Jobs Credit: refund of state sales or corporate income tax based on new jobs created in EZ,
- Building Materials Refund: refund of state sales tax paid on building materials for renovations of buildings in the EZ, and
- Property Tax Credit: refund of portion of property taxes for company's that expand in EZ.

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The EZ program has become popular, statewide, as it offers various state-funded tax rebates for programs structured to improve "local" economic redevelopment. The County's primary role is to provide full oversight of the program. Currently, the Board contracts with the EDC to manage this program for Leon County. The Enterprise Zone Development Agency, a governing body that is appointed by the Board of County Commissioners, provides further management oversight to the EZ.

QTI:

The Qualified Target Industry (QTI) Program is a state incentive program that targets companies that create high wage jobs in targeted industries. After a thorough pre-approval screening process, this program provides tax refunds to qualifying companies primarily on their corporate income, sales and ad valorem taxes. Significantly, this program includes a local match of 20%. The Board currently escrows the County's match funding with the EDC as part of the annual contract. Currently, the County's QTI match account at the EDC has a balance of nearly \$150,000 for future use on qualified businesses. On July 27, 2004, the Board approved a Resolution supporting the Southeast Corporate Federal Credit Union's QTI application, and the local match, totaling \$24,000, was equally divided between the County and the City of Tallahassee. Similar to other incentive programs, payments of QTI funds to the company will be made over a number of years, and only upon the evidence that the company's job creation and other performance goals are being met (Attachment #3).

TBPP:

The City and the County created the Targeted Business Pilot Program (TBPP) jointly in 2001 to provide additional financial incentives to high wage, targeted businesses that wish to relocate or expand their businesses in the Tallahassee-Leon County community. The incentives offered take the form of reimbursement up to 100% of development (permit) fees, and up to 100% of ad valorem taxes (based on the City's millage rate), paid over a maximum of 10 years. On April 30, 2002, Fringe Benefits Management Company became the first business to qualify for this program. Based on the pre-approval scoring process, Fringe Benefits qualified for 60% reimbursement of permit fees and ad valorem taxes paid over six years. On November 30, 2004, the Board approved the County's portion of the TBPP first year reimbursement of \$9,898. Payments to Fringe Benefits will be made over the next five years, based on contractual performance (Attachment #4).

When considering this EDC relocation incentive-funding request, it is also important to note the significant direct expenditures that the County, and City, has made to support the EDC's economic development initiatives during the past decade. As reflected in Table #1, the County has contributed over \$1.5 million to the EDC since 1995 and the City has contributed \$1.45 million, for a combined total of \$2.97 million to the EDC in support of business development and retention, job creation, and other economic development initiatives in the community. As of 2005, the County has approved a performance-based contract with the EDC to insure that job creation targets and other economic development priorities are being met. Additionally, the Board scheduled a workshop on economic development for September 13, 2005, and invited the City Commission to participate in discussions regarding funding for the EDC, improvements at Innovation Park, and other key economic development concerns.

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**Table #1. Overview of County and City Payments to the EDC since 1995**

YEAR	COUNTY EDC PAYMENT	CITY EDC PAYMENT	TOTAL COUNTY/CITY PAYMENT
1995	\$6,680	<i>No record available</i>	\$6,680
1996	\$21,650	\$143,750	\$165,400
1997	\$51,466	\$118,750	\$170,216
1998	\$105,000	\$118,750	\$223,750
1999	\$175,000	\$175,000	\$350,000
2000	\$175,000	\$150,000	\$325,000
2001	\$175,000	\$150,000	\$325,000
2002	\$175,500	\$150,000	\$325,500
2003	\$210,000	\$150,000	\$360,000
2004	\$210,000	\$150,000	\$360,000
2005	\$210,000	\$150,000	\$360,000
<b>TOTALS:</b>	<b>\$1,515,296</b>	<b>\$1,456,250</b>	<b>\$2,971,546</b>

As evidenced by the above payment schedule and in the analysis regarding the numerous existing County economic development programs, the County remains fully engaged in retaining and attracting new businesses to Leon County. Staff requests the Board accept this report, consider the EDC's incentive proposal, and provide additional direction to staff regarding any new direct incentive package the Board may wish to offer, at a level to be determined by the Board.

**Options:**

1. Accept the staff report on the Economic Development Council's relocation incentive proposal and provide staff direction for any new direct relocation incentives, at a level determined by the Board.
2. Accept the staff report on the Economic Development Council's relocation incentive proposal and do not provide for any new direct relocation incentives.
3. Board direction.

**Recommendation:**

Option #1.

**Attachments:**

1. June 2, 2005 Incentive Request Letter from Brad Day, EDC Executive Director.
2. Information on Leon County-Tallahassee Enterprise Zone (EZ)
3. July 27, 2004 Agenda Item on Qualified Targeted Industry (QTI).
4. November 30, 2004 Agenda Item on Targeted Business Pilot Program (TBPP)